



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: February 23, 2005

REPORT NO. RA-05-04

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of March 1, 2005

SUBJECT: Agreements related to the purchase of property in the College Community
Redevelopment Project Area.

SUMMARY

Issues – Should the Redevelopment Agency:

- 1) Authorize the Executive Director to enter into a Cash Depository Agreement with the San Diego State University Foundation to receive funds in the amount of \$5.1 million for the purchase of the Sanctuary Suites & Retail property?
- 2) Authorize the Executive Director to enter into a Settlement Agreement with Renovation & Restoration, LLC to purchase the Sanctuary Suites & Retail property for \$5.0 million, provided that the City Auditor first furnishes a certificate that funds are, or will be, on deposit in the City Treasury?
- 3) Approve an amendment to the Fiscal Year 2005 Redevelopment Agency budget to authorize receipt of, and increase appropriations and authorize expenditures in the amount of \$5.1 million for the College Community project area (Fund 98107)?

Executive Director's Recommendation – That the Redevelopment Agency:

- 1) Authorize the Executive Director to enter into a Cash Depository Agreement with the San Diego State University Foundation to receive funds in the amount of \$5.1 million for the purchase of the Sanctuary Suites & Retail property;

- 2) Approve the Settlement Agreement with Renovation & Restoration, LLC to purchase the Sanctuary Suites & Retail property for \$5.0 million, provided that the City Auditor first furnishes a certificate that funds are, or will be, on deposit in the City Treasury; and
- 3) Approve an amendment to the Fiscal Year 2005 Redevelopment Agency budget to authorize receipt of and increase appropriations and authorize expenditures in the amount of \$5.1 million for the College Community project area (Fund 98107).

Fiscal Impact – The \$5.1 million received by the Agency through the Cash Depository Agreement with the SDSU Foundation will be used by the Agency to purchase the Sanctuary Suites and Retail property pursuant to the Settlement Agreement for \$5.0 million. The remaining \$100,000 will be used, as needed, to cover costs associated with the acquisition such as tenant improvements, closing costs, etc.

Housing Impact Statement – This action will allow the SDSU Foundation and Agency to relocate the Sanctuary Suites and Retail building out of the footprint of The Paseo Project. It is expected that The Paseo Project will provide up to 116 dwelling units which will be set-aside for persons of low and moderate income.

BACKGROUND

On March 4, 2003 The Redevelopment Agency of the City of San Diego (Agency) voted unanimously to enter into an Exclusive Negotiating Agreement (ENA) (Report No. RA-03-06) with the San Diego State University Foundation (SDSU Foundation) for the proposed The Paseo Mixed-Use Project (The Paseo). The Paseo, a Pilot Village project, is a \$315 million mixed-use project. The Paseo consists of 465 residential units, 250,000 square feet of retail, 100,000 square feet of office space, and two levels of subterranean parking. Redevelopment Agency staff is negotiating a Disposition and Development Agreement (DDA) with the SDSU Foundation, which is expected to be presented to the Agency Board for approval in June 2005.

The Paseo project is located on an 11-acre site adjacent to San Diego State University. The Sanctuary Suites & Retail building was just recently constructed and consists of 11 residential units and approximately 1,800 square feet of retail space. It is located within the proposed 11-acre footprint of The Paseo. The location of the Sanctuary Suites & Retail building does not facilitate the construction of The Paseo as it is proposed. An agreement for the purchase of the Sanctuary Suites & Retail property has been reached with participation from the owners of the building, Renovation and Restoration LLC., the Redevelopment Agency and the SDSU Foundation.

DISCUSSION

Pursuant to the Cash Depository Agreement, the SDSU Foundation will cover all costs associated with the Agency's purchase of the Sanctuary Suites & Retail property. The purchase

price, pursuant to the Settlement Agreement, is \$5 million. The additional \$100,000 under the Cash Depository Agreement will be used to cover remaining acquisition costs such as tenant improvements, closing costs, etc. These additional costs may be lower than \$100,000. The Agency will reimburse the SDSU Foundation for the unused balance of the \$100,000 after close of escrow. When the purchase of the property is complete and property is under Agency ownership, all aspects of the property management will be performed by the SDSU Foundation. All property management functions including maintenance, repairs, payment of taxes, collection of rents, etc. will become the responsibility of the Foundation. As property manager, the SDSU Foundation will receive all rental income accruing from the property.

Because the building was just recently constructed, the intent will not be to destroy the building. Rather, it is planned that the building will be relocated less than a block to the west on a vacant parcel owned by the SDSU Foundation at 5706 Hardy Avenue, just outside the footprint of The Paseo. The costs associated with the relocation of the building will be the responsibility of the SDSU Foundation. Relocation benefits to tenants at the time of the building's relocation will be provided to the extent the law requires and is also the responsibility of the SDSU Foundation.

While the SDSU Foundation manages the property, the Redevelopment Agency will retain ownership of The Sanctuary Suites & Retail property. If a DDA is executed on or before January 1, 2006, the Agency will convey the property to the SDSU Foundation. The Agency will work diligently with the SDSU Foundation to reach a DDA for the proposed The Paseo before this date. If a DDA is not reached by January 1, 2006, and negotiations with SDSU Foundation do not continue, the Agency will expeditiously dispose of the property to a third party. Before the Agency disposes of the property, the Agency will allow the SDSU Foundation to purchase the property through the developer's "Right of First Refusal". The "Right of First Refusal" states that the Agency will notify the SDSU Foundation of its intent to transfer the property, allowing the SDSU Foundation to purchase the property under the similar terms proposed in the transfer agreement.

SUMMARY

With approval of the Cash Depository Agreement, the Agency will accept a developer deposit of \$5.1 million from the SDSU Foundation for the purchase of the Sanctuary Suites & Retail property. The approval of the Settlement Agreement will facilitate the purchase transaction of the Sanctuary Suites & Retail property from Renovation and Restoration LLC to the Redevelopment Agency.

ALTERNATIVE(S)

That the Redevelopment Agency not approve the Cash Depository Agreement nor the Settlement Agreement for the purchase and sale of The Sanctuary Suites & Retail property.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director,
Redevelopment Agency

Approved: Hank Cunningham
Assistant Executive Director,
Redevelopment Agency

Attachments: 1. Cash Depository Agreement between the Redevelopment Agency of the City of San Diego and the San Diego State University Foundation.
2. Settlement Agreement (with attached Purchase & Sale Agreement) between the Redevelopment Agency of the City San Diego and Renovation and Restoration LLC.